Introduction

Around the world, the extraction of oil, gas, minerals and metals is still nowhere near to bringing the benefits to ordinary citizens that it should. When designing the EITI, as with many international processes, the great temptation was to create an all-encompassing solution. Development history is littered with well-intentioned governance models that do not acknowledge existing processes and the vested interests of different players. They bite off more than the stakeholders can chew. The evolution of the EITI reflects the incremental pursuit of a focused ambition, but it also faces enormous challenges of communication, momentum and linkages to other and wider reform efforts.

This article briefly explores what lessons can be drawn on what works in collective approaches, why it works, how it works and, perhaps more pertinently, where this approach does not work. It is a series of observations drawn from our personal experiences as practitioners.

The early years

In March 2005, the EITI stakeholders and implementing countries again met in London. UK Secretary of State for International Development, Hilary Benn, summarised:

> Our experience in the four countries that have piloted EITI… is that while different countries have taken different approaches to implementation, this needs to be backed up by clear international rules of the game for the initiative to be effective and credible.  

These different approaches to the principles were boiled down to six EITI criteria that sought to establish ‘the rules of

Box 1: The history of the development of the EITI

It is often thought that the EITI was launched in 2002. It is true that the then UK Prime Minister, Tony Blair, outlined the idea of the EITI in a speech intended for the World Summit on Sustainable Development in Johannesburg in September 2002. However, the problematic relationship between Prime Minister Blair and President Robert Mugabe of Zimbabwe meant that the British Prime Minister never actually delivered his prepared remarks as intended.

The idea of mentioning the EITI in that speech followed campaigning by Global Witness, other civil society organisations and individuals, like George Soros. Their campaign slogan of ‘Publish What You Pay’ was drawn from a Global Witness report entitled ‘A Crude Awakening’. Launched in December 1999, this focused on the opaque mismanagement of oil in Angola.

Responding to the campaign in February 2001, Lord John Browne, the then CEO of BP, committed to publish payments made to the Angolan Government. This sparked a strong reaction from Angola. In his 2010 memoir, Beyond Business, Lord Browne recalled how he had received a cold letter from the head of the Angolan national oil company, Sonangol. Lord Browne went on to conclude:

> Clearly a unilateral approach, where one company or one country was under pressure to “publish what you pay”, was not workable.

Following the publication of the Blair speech, the UK Department for International Development (DFID) convened a meeting of civil society, companies and government representatives. There was agreement that some kind of reporting standard should be jointly developed. At a conference in London, June 2003, a statement of principles to increase transparency of payments and revenues in the extractive sector was agreed. These 12 EITI principles centred on the need for transparent management of natural resources. They affirmed that there was a belief that ‘a workable approach to the disclosure of payments and revenues is required, which is simple to undertake and use’.

Following this meeting, a few countries – including Nigeria, Azerbaijan, Ghana and the Kyrgyz Republic – explored how these principles might be applied. Peru, the Republic of Congo, Sao Tome e Principe, Timor Leste, and Trinidad and Tobago later joined them.
They also recognised that civil society had to be actively engaged in the process to ensure accountability. By the time of the third EITI Global Conference in Oslo in October 2006, the implementing countries (now joined by Niger and Cameroon) were preparing their first EITI reconciliation reports. Azerbaijan had already produced reports covering revenue from 2003–05 and Nigeria a report covering 1999–2004. The International Advisory Group had provided guidance on how to produce these reports in its 2005 EITI source book. The International Advisory Group had sufficient emerging approaches to introduce the EITI Validation Guide, which set out the indicators that implementing countries had to meet in order to become EITI compliant. The guide was introduced at the Oslo conference, effectively marking the end of the beginning for the EITI.

At this time it was also agreed that the EITI should have its own governance structure, board and secretariat. The EITI international secretariat was later established in Oslo. With the principles setting out its aims, the criteria containing its minimum requirements and the guide establishing its indicators, it was thought that the EITI had a structure in place that would clearly frame the expectations of implementing countries. However, it quickly became clear that many issues had been left open, such as how long implementing countries had before they would have to be ‘validated’ and how long they would have to meet the standard.

So, in 2009 and 2011, the EITI board issued the EITI rules. These replaced the EITI validation guide and included six ‘policy notes’ that provided further clarification and guidance. The ‘indicators’ became ‘requirements’ and were addressed more as steps to be followed by implementers than as indicators to be assessed by external validators. The EITI had evolved into a global standard. By September 2012, 36 countries were implementing the EITI, with Colombia, Tunisia and the USA, among others, preparing to begin implementation. A total of 95 EITI reconciliation reports had been produced covering more than US$700 billion of revenues paid.

Challenges of, and tensions between, being a global standard and a national process

At its core, EITI implementation has two components: transparency and accountability. Transparency is achieved through the annual publication of what the companies pay in taxes, royalties and bonuses to a government, and the publication of what the government claims to have received. In an in-country accountability process, a national commission (or multi-stakeholder group, in EITI parlance) oversees the implementation process. The group is crucial to ensuring that the EITI is implemented according to the global standard and, at the same time, that the application of the standard is adapted, as relevant, to the specific needs of the implementing country.

This has led to 36 EITI models for 36 implementing countries. Liberia’s EITI reports include the forestry sector; Togo’s includes water; Nigeria’s and Iraq’s include figures on the physical production of oil and gas; Mongolia’s records environmental costs; Peru’s includes payments to sub-national levels of government; and Ghana includes the spending by these sub-national governments. There are numerous other variations on the core EITI model and such innovations are encouraged. The EITI should be a platform for securing management oversight and data as they are needed in each country. But this course – between a nationally owned process and an internationally owned standard – has been a tough one to steer.

Designing the right standard

There is no magic bullet for a problem as complex as natural resources management. It would be naïve to think that any single intervention, including the EITI, could solve the violence, mismanagement and environmental disasters of the Niger Delta, for example. The consensus approach of the EITI standard has led to just one aspect – revenue transparency – being tackled first. Revenue transparency might not be the most pressing or important issue in many resource-rich countries, but it has proven to be a sound entry point for bringing all parties to the table.

The EITI International Secretariat is often asked why the EITI does not require contract transparency or transparency about how governments spend the money received. It typically answers that a process with big companies and small NGOs on its board should not be issuing requirements on how governments spend their money. It is for the citizens of that country to decide, through democratic processes, how public money should be spent. It is also for them to decide how and if the EITI platform in their country can seek to foster wider change. If it cannot, it will soon become redundant.

In country after country, even basic revenue transparency has become the starting point for other discussions, such as...
whether deals are good, whether tax regimes are right, whether money is going missing and how it is spent. Whilst the minimum requirements are focused, the implementation clearly does not need to be.

How the EITI evolves depends on what consensus can be gained at what time. The consensus about revenue transparency in the extractives sector is changing particularly fast at the moment and there are a number of complementary efforts in train. In 2011, the musician and activist, Bono, went so far as to say that natural resource transparency is the ‘next big thing’ in development – bigger than debt cancellation.11

Since then, the US government has issued disclosure requirements for extractive companies listed in the US under section 1504 of the Dodd-Frank Act.12 Changes to the EU transparency directive are being drafted to bring about similar rules in Europe.13 Designed, as they are, to be complementary to the EITI, these requirements will increase the clamour for fairer rules for all companies, whether listed, private or state-owned. US listed companies are expected to respond to section 1504 by pushing recalcitrant countries to implement the EITI to ensure a level playing field.

Those people who want section 1504 to succeed are the same as those who want the EITI to succeed. The EITI and section 1504 are not in an ‘either/or’ relationship. There is no beauty contest. Whilst section 1504 will lead to more information being available, the EITI will ensure it is discussed in the countries that have the resources. Good management of natural resources needs both and more.

Avoiding having the standard used as whitewash

In accommodating wider demands and challenges, the EITI needs to be conscious of its credibility as a minimum standard. Some of the worst offending countries are implementing the standard successfully; others remain completely outside the process. The EITI cannot magically create political will for reform in countries where there is none. Moreover, assessing real political will is a perennial challenge for development initiatives, as is finding the balance between encouraging and keeping difficult countries inside the tent, and throwing them out.

In attempting to resolve these conundrums, the EITI needs to note two specific points. Firstly, the EITI is not just implemented by government: it is also implemented by civil society organisations and companies. Often where the regime is repressive and kleptocratic, the EITI is the only platform available for dialogue or reform efforts among other actors. Secondly, due to the nature of natural resources, these EITI member countries are, on the whole, countries in which conventional aid instruments do not succeed – aid flows simply do not match up to the revenues from extractive resources. There is a growing school of thought that codes and standards, like the Natural Resource Charter and the EITI, and wider innovative governance efforts, like the Open Government Partnership, coupled as they are with peer pressure, are the best mechanisms available for nurturing political will for reform. Even a minimal EITI report can highlight important issues nationally and internationally. The EITI’s 2008/09 report on the Democratic Republic of Congo (DRC) certainly shocked some readers by revealing that the DRC Government received less than $200 million for its mining resources over two years14. That is less than $1 per person per year for resources that are linked to the deaths of over five million people.

Increasing the impact

It would be naïve to think that the simple act of publishing data would always and sustainably improve management, just as it would be naïve to think that platforms for dialogue will always sustainably improve management if not informed by good data.

Despite strong anecdotal evidence of its success, the EITI suffers from the same challenge as most governance measures – how to establish whether it really does lead to better natural resource governance, less corruption, more accountability and, ultimately, to more citizens in more resource-rich countries reaping more benefits from their wealth. This information gap is somewhat exacerbated by the challenge the multi-stakeholder approach brings to the EITI: the actors behind the EITI do not always share a vision and common purpose.

Scanteam was commissioned to evaluate the impact of the EITI in October 2010.15 While it applauded the EITI’s great success in building a brand and a global coalition for improving transparency in an opaque sector, it could discern little impact at the societal level in implementing countries. Moreover, the EITI principles established back in 2003 were not necessarily fulfilled by the EITI criteria and minimum requirements.

Under the 2011 standard, EITI reports tell citizens what was paid. In most cases, they also say how much was paid by each sector or each company. However, the reports could go further and, in fact, stakeholders are demanding more from the EITI. Some argue that the EITI reports could inform citizens more about how much should have been paid (and whether that represents a good deal) or how the money was managed (and whether it was properly spent for the benefit of the people). Others argue that the reports should inform the analysis of tax management and regimes, the economic consequences of commodity price fluctuations and/or the exhaustion of non-renewable resources.

Whatever the future EITI framework looks like, it will likely need to reflect the three changes to the EITI concept over the past decade. Particularly, it will have to ensure that:
The focus is on EITI reconciliation reports, which have to be comprehensive and comprehensible data. The techniques for governing multi-stakeholder efforts are quite different from those used to govern civil society organisations, multilateral organisations, or corporations. Mechanisms, possibly including voting rules, have to be found in order to accommodate their different ways of working. The governance arrangements for multi-stakeholder processes have to be able to evolve as the organisation grows. The EITI’s development process has a number of lessons for similar initiatives.

The EITI is a non-profit members’ association under Norwegian law. It has a board with representatives from governments, civil society and companies that is answerable to a conference and members’ meeting, which is convened once every two years. It was decided early on that the EITI should not seek to become a multilateral organisation. This was thought to be time-consuming and a potential risk to the efficiency of the EITI as an organisation.

The international community has a long way to go in ensuring that natural resources bring benefits to all. We would highlight three important lessons from the EITI experience:

- If the collective action is at both the national and international level, a careful balance needs to be struck between country ownership and international standard setting. Strong governance structures are the key to finding this balance.
- Collective action through a multi-stakeholder effort, such as the EITI, requires patience with incremental progress. This presents challenges of communicating objectives and demonstrating impact, of linking with other efforts in the same field and of keeping momentum for deeper implementation. The consensus amongst the vastly different stakeholders evolves and so too must the goals of the collective action.
- Collective action is not a panacea for the problem of lack of political will, though it can be the best option available.

In the authors’ view, there are few areas of development in which the benefits for all stakeholders of slow but assured progress justify the efforts involved in multi-stakeholder governance. Management of the extractive industries is one of the few exceptions.

Such ‘beyond governments’ and collective action solutions to governance challenges need to be carefully designed and calibrated to avoid ineffective bureaucracies failing to exceed a lowest common denominator of limited value. But, together with other governance efforts, voluntary as well as mandatory, they can form part of the battery of efforts required to ensure good governance.

**Conclusions**

The international community has a long way to go in ensuring that natural resources bring benefits to all.

We would highlight three important lessons from the EITI experience:

- If the collective action is at both the national and international levels, a careful balance needs to be struck between country ownership and international standard setting. Strong governance structures are the key to finding this balance.
- Collective action through a multi-stakeholder effort, such as the EITI, requires patience with incremental progress. This presents challenges of communicating objectives and demonstrating impact, of linking with other efforts in the same field and of keeping momentum for deeper implementation. The consensus amongst the vastly different stakeholders evolves and so too must the goals of the collective action.
- Collective action is not a panacea for the problem of lack of political will, though it can be the best option available.

In the authors’ view, there are few areas of development in which the benefits for all stakeholders of slow but assured progress justify the efforts involved in multi-stakeholder governance. Management of the extractive industries is one of the few exceptions.

Such ‘beyond governments’ and collective action solutions to governance challenges need to be carefully designed and calibrated to avoid ineffective bureaucracies failing to exceed a lowest common denominator of limited value. But, together with other governance efforts, voluntary as well as mandatory, they can form part of the battery of efforts required to ensure good governance.

**Endnotes**

2. Global Witness, n. 1, p. 3.
4. Browne, n. 3.
6. EITI, n. 6, Principle 10.

**Jonas Moberg** (secretariat@eiti.org) is head of the EITI Secretariat. Before joining the EITI, he was a senior advisor to the UN Global Compact. Prior to that, he was director of corporate policy and practice at the Prince of Wales International Business Leaders Forum, London, which he joined 2002. During 1996–2002 Jonas worked for the Swedish Ministry for Foreign Affairs, including postings to Mozambique and the UK. Jonas holds master’s degrees in law from the University of Stockholm and the London School of Economics. During 1992–96 he was the vice chairman of the Swedish National Committee for United World Colleges.

**Eddie Rich** (erich@eiti.org) is EITI’s deputy head and regional director for Africa and the Middle East. He has worked in development for almost 20 years, and among other posts has served as DFID representative to Angola (1996–98) and deputy head of DFID Kenya (2004–07). He has been involved with the EITI since its inception, having been head of DFID’s Corporate Social Responsibility team when the nascent Publish What You Pay coalition came to DFID with an idea for a transparency initiative in the extractive sector in 2001.

8 N. 6.

9 EITI, n. 6, Criterion 1.

10 EITI, n. 6, Criterion 5.


12 Dodd-Frank Wall Street Reform and Consumer Protection Act, HR 4173 (111th).

